

Message Text

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ACTION STR-04

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 OIC-02
STRE-00 /139 W
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P R 111730Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9041

INFO AMEMBASSY BRUSSELS

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USMTN

ACTION STR

H PASS CODEL

EO 11652: N/A

TAGS: ETRD; MTN

SUBJECT: US DISCUSSION ON SERVICES AND WINE GALLON/PROFF GALLON
WITH EC

REF: (A)ISTATE 129616; (B) STATE 138276

BRUSSELS FOR USEC

1. SUMMARY; US MTN DEL (NEWKEIK) MET WITH EC (ABBOTT) TO
DISCUSS POINTS RAISED IN REF A AND B. EC IS YET UNDECIDED
ON WHETHER IT WILL RAISE SERVICES IN MTN AND WILL REFLECT
ON HOW TO FURTHER PURSUE NEGOTIATIONS ON WINE GALLON/
PROOF GALLON, END SUMMARY.

2. SERVICES IN MTN; NEWKIRK CONVEYED POINTS IN REF A IN-
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DICATING THAT US IS STILL STUDYING WHETHER TO NOTIFY
SERVICES UNDER THE NTM/NDWM PROCEDURES. ABBOTT APPRE-
CIATED US POSITION AND STATED THAT ALTHOUGH THE EC HAD
NOT YET TAKEN A DECISION, HE SPECULATED THAT SOME
DIRECTLY TRADE RELATED SERVICES, SUCH AS FREIGHT AND
INSURANCE, MAY BE NOTIFIED BY THE EC UNDER NTM/NDWN
PROCEDURES. ABBOTT OPINED THAT IN ORDER TO ENSURE

THAT THE COUNTRIES INVOLVED WILL BE RECEPTIVE TO POSSIBLE NEGOTIATIONS, AND SERVICES NOTIFICATION SHOULD BE DISCUSSED WITH THE COUNTRIES INVOLVED BEFORE ACTUALLY SUBMITTING THE NOTIFICATIONS.

3. WINE GALLON/PROOF GALLON: NEWKIRK RELATED THE POINTS AND QUESTIONS PRESENTED IN REF B, EMPHASIZING THE SIGNIFICANCE AND SENSITIVITY OF THIS ITEM FOR THE US. WHILE THE US IS FLEXIBLE AS TO WHERE THIS ISSUE IS DISCUSSED, EITHER UNDER GROUP AGRICULTURE "OTHER PRODUCTS" OR NTM/NDWM PROCEDURES, WE PREFER THAT AT LEAST INITIAL DISCUSSIONS OF THIS ISSUE TAKE PLACE UNDER FORMAL MTN PROCEDURES. SINCE A NUMBER OF OTHER COUNTRIES WOULD BENEFIT FROM US MODIFICATION OF ITS WINE GALLON/PRX GALLON METHOD OF ASSESSMENT OF EXCISE AND CUSTOMS DUTIES, THEY SHOULD BE FULLY AWARE OF ANY DISCUSSION OF THIS ISSUE. AFTER DISCUSSIONS UNDER FORMAL PROCEEDINGS, THE US WILL BE IN A BETTER POSITION TO DETERMINE IF NEGOTIATION OF THIS ISSUE IS POSSIBLE AND, IF SO, THE PRECISE MODE BY WHICH THIS ISSUE SHOULD BE NEGOTIATED.

4. IN RESPONSE TO NEWKIRK QUERIES PER PARA. 6 REF B. ABBOTT SAID THAT PRIOR TO THE CONSULTATIONS UNDER GROUP AGRICULTURE "OTHER PRODUCTS" PROCEDURES, THE ISSUE HAD BEEN DISCUSSED WITH THE MEMBER STATES (I.E. WHETHER TO APPROACH THE US ON THE ISSUE, TRADE STATIS-

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TICS ETC.) AND THAT FROM TIME TO TIME, THIS ISSUE HAS BEEN RAISED BY THE UK WITH THE COMMISSION. AT THIS STAGE IN THE NEGOTIATIONS, ABBOTT IS NOT CONCERNED THAT THE WINE GALLON/PROOF GALL NEGOTIATIONS MIGHT RESULT IN A SITUATION WHERE OTHER MEMBER STATES MIGHT BE RELUCTANT TO PAY FOR AN EXPENSIVE CONCESSION WHICH WOULD BENEFIT ONLY A FEW MEMBER STATES (UK, AND TO A CONSIDERABLY LESSER EXTENT, FRANCE AND IRELAND). FURTHER, HE HE STATED THAT THE US WAS OPERATING ON THE BASIS OF AN INCORRECT ASSUMPTION THAT THE EC CONSIDERS THE CONCESSION TO BE EXPENSIVE. IN THEIR VIEW, THE US WINE GALLON/PROOF GALLON METHOD OF ASSESSMENT IS AN ILLEGAL MEASURE IN GATT TERMS (I.E. CONTRARY TO ARTICLE III), AND, THEREFORE, THEY DO NOT EXPECT TO PAY A GREAT DEAL FOR A US CONCESSION. ABBOTT PREEMPTIVELY REJECTED ANY ATTEMPT TO JUSTIFY THIS MEASURE UNDER THE GATT PROTOCOL OF PROVISIONAL APPLICATION, DECLARING THAT 30 YEARS HAS BEEN MORE THAN ENOUGH TIME FOR THE US TO CONFORM TO ITS GATT OBLIGATIONS. US RESPONDED THAT IF THIS WAS THE EC POSITION, THERE WAS LITTLE BASIS FOR NEGOTIATION. SOFTENING SOMEWHAT, ABBOTT OBSERVED THAT AT THIS STAGE OF THE NEGOTIATIONS, IT'S EASY FOR THE

EC TO BE ON THE OFFENSIVE MERELY ASKING FOR CONCESSIONS, BUT AT A LATER DATE WHEN A PRICE IS ASKED BY THE US, PRECISE CONTRIBUTIONS WILL HAVE TO BE CONSIDERED. HE ADDED THAT OTHER MEMBER STATES BESIDES THE UK, FRANCE AND IRELAND WOULD BENEFIT FROM A US CONCESSION IN THIS AREA.

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INFO OCT-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12 NEA-10
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LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 OIC-02
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5. ABBOTT WONDERED WHAT ACTION IS NEEDED TO INITIATE SERIOUS DISCUSSIONS ON THIS ISSUE, EITHER IN BILATERAL CONSULTATION SIMILAR TO THAT WHICH HAD TAKEN PLACE UNDER THE GROUP AGRICULTURE "OTHER PRODUCTS" PROCEDURES OR A DIFFERENT NEGOTIATING FORUM THAT WOULD INVOLVE ALL INTERESTED COUNTRIES. NEWKIRK REPLIED THAT THE STRATEGY IS UP TO THE EC AND OTHER INTERESTED COUNTRIES, NOT TO THE US. ABBOTT SPECULATED THAT PERHAPS A PLURILATERAL CONSULTATION UNDER NTM/NDWM MAY BE THE BEST WAY TO GET THINGS STARTED. HE CONCLUDED BY STATING THAT THE EC WOULD HAVE TO REFLECT ON THE BEST AVENUE OF APPROACH AND WOULD GET BACK TO US AT A LATER DATE.

6. ABBOTT THEN QUERIED AS TO WHETHER THE US HAD CONSIDERED

A PACKAGE APPROACH IN THE ALCOHOLIC BEVERAGE AREA. HE SUGGESTED THAT HE HAD IN MIND SUCH ITEMS AS "APPELLATION CONTROLEE" AND FRENCH ADVERTISING RESTRICTIONS ON SPIRITS AS AREAS OF POSSIBLE EC MOVEMENT. ABBOTT CONCEDED THAT SUCH CONCESSIONS WOULD NOT BE SUFFICIENT IN THEMSELVES BUT

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THAT THEY WOULD PROVIDE A PRESENTATIONAL EFFECT OF
BALANCING CONCESSIONS IN A GIVEN PRODUCT AREA OF THE
NEGOTIATIONS. THE US RESPONDED THAT SUCH CONCESSIONS
WOULD BE USEFUL, BUT AGREED THT THEY PROBABLY WOULD
NOT BE SUFFICIENT BY THEMSELVES TO BALANCE A WINE GALLON-
PROOF GALLON CHANGE, AND THEREFORE COMPENSATION WOULD
HAVE TO BE FORTHCOMING IN OTHER MTN AREAS.CULBERT

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